

AMENDED IN SENATE MAY 5, 2003

AMENDED IN SENATE APRIL 9, 2003

SENATE BILL

No. 107

Introduced by Senator Bowen

January 30, 2003

An act to amend Section 379.5 of, and to repeal Section 350 of, the Public Utilities Code, relating to electric power, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 107, as amended, Bowen. Independent System Operator: report: demand management: *renewable, ultra-clean, low emission distributed generation resources*.

(1) The Public Utilities Act requires the Independent System Operator, in consultation with the California Energy Resources Conservation and Development Commission (Energy Commission), the Public Utilities Commission, the Western Systems Coordinating Council, and concerned regulatory agencies in other western states, within 6 months after Federal Energy Regulatory Commission approval of the Independent System Operator, to provide a report with certain information to the Legislature and the Electricity Oversight Board.

This bill would repeal that provision.

(2) Existing law requires the Public Utilities Commission, notwithstanding any other provision of law, on or before March 7, 2001, and in consultation with the Independent System Operator, to take certain actions, including, in consultation with the Energy Commission, adopting energy conservation demand-side management and other initiatives in order to reduce demand for electricity and reduce load

during peak demand periods, including, but not limited to, differential incentives for renewable or super clean distributed generation resources. *Pursuant to these provisions, the commission has established the Self Generation Incentive Program (Decision 01-03-073, March 27, 2001), which will expire at the end of 2004.*

~~This bill would modify those provisions to require the Public Utilities Commission, in consultation with the Independent System Operator, to take those actions, including, in consultation with the Energy Commission, adopting those energy conservation demand side management and other initiatives, including, but not limited to, differential incentives for renewable or to establish until January 1, 2007, an incentive program for renewable and ultra-clean and low-emission distributed generation resources, with a goal of achieving commercialization of ultra-clean and low-emission distributed generation resources by January 1, 2007. The commission would, in establishing incentive levels, be required to consider the amount and duration of existing incentives, including exemption from standby tariffs, exemption from Department of Water Resources electricity procurement obligations, state and federal tax credits, deductions, and exemptions. The bill would require the Public Utilities Commission to report to the Legislature, by January 1, 2006, on the costs, benefits, environmental impacts, and efficiency impacts of the incentive program.~~

(3) The bill would declare that it is to take effect immediately as an urgency statute.

Vote: ²/₃. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 350 of the Public Utilities Code is
2 repealed.
3 SEC. 2. Section 379.5 of the Public Utilities Code is amended
4 to read:
5 ~~379.5.—~~
6 379.5. (a) *The commission shall establish an incentive*
7 *program, to succeed the Self Generation Incentive Program, for*
8 *renewable and ultra-clean and low-emission distributed*
9 *generation resources. A goal of the incentive program is to achieve*
10 *commercialization of ultra-clean and low-emission distributed*

1 generation resources by January 1, 2007. In establishing incentive
2 levels, the commission shall consider the amount and duration of
3 existing incentives, including exemption from standby tariffs,
4 exemption from Department of Water Resources electricity
5 procurement obligations, state and federal tax credits, deductions,
6 and exemptions.

7 (b) The commission shall, by January 1, 2006, report to the
8 Legislature on the costs, benefits, environmental impacts, and
9 efficiency impacts of the incentive program.

10 (c) This section shall remain in effect only until January 1,
11 2007, and as of that date is repealed, unless a later enacted statute,
12 that is enacted before January 1, 2007, deletes or extends that date.
13 ~~The commission, in consultation with the Independent System~~
14 ~~Operator, shall take all of the following actions, and shall include~~
15 ~~the reasonable costs involved in taking those actions in the~~
16 ~~distribution revenue requirements of utilities regulated by the~~
17 ~~commission, as appropriate:~~

18 (a) ~~(1) Identify and undertake those actions necessary to~~
19 ~~reduce or remove constraints on the state's existing electrical~~
20 ~~transmission and distribution system, including, but not limited to,~~
21 ~~reconductoring of transmission lines, the addition of capacitors to~~
22 ~~increase voltage, the reinforcement of existing transmission~~
23 ~~capacity, and the installation of new transformer banks. The~~
24 ~~commission shall, in consultation with the Independent System~~
25 ~~Operator, give first priority to those geographical regions where~~
26 ~~congestion reduces or impedes electrical transmission and supply.~~

27 ~~(2) Consistent with the existing statutory authority of the~~
28 ~~commission, afford electrical corporations a reasonable~~
29 ~~opportunity to fully recover costs it determines are reasonable and~~
30 ~~prudent to plan, finance, construct, operate, and maintain any~~
31 ~~facilities under its jurisdiction required by this section.~~

32 ~~(b) In consultation with the State Energy Resources~~
33 ~~Conservation and Development Commission, adopt energy~~
34 ~~conservation demand-side management and other initiatives in~~
35 ~~order to reduce demand for electricity and reduce load during peak~~
36 ~~demand periods. Those initiatives shall include, but not be limited~~
37 ~~to, all of the following:~~

38 ~~(1) Expansion and acceleration of residential and commercial~~
39 ~~weatherization programs.~~

~~(2) Expansion and acceleration of programs to inspect and improve the operating efficiency of heating, ventilation, and air-conditioning equipment in new and existing buildings, to ensure that these systems achieve the maximum feasible cost-effective energy efficiency.~~

~~(3) Expansion and acceleration of programs to improve energy efficiency in new buildings, in order to achieve the maximum feasible reductions in uneconomic energy and peak electricity consumption.~~

~~(4) Incentives to equip commercial buildings with the capacity to automatically shut down or dim nonessential lighting and incrementally raise thermostats during a peak electricity demand period.~~

~~(5) Evaluation of installing local infrastructure to link temperature setback thermostats to real-time price signals.~~

~~(6) Incentives for load control and distributed generation to be paid for enhancing reliability.~~

~~(7) Differential incentives for renewable or ultra-clean and low-emission distributed generation resources.~~

~~(8) Reevaluation of all efficiency cost-effectiveness tests in light of increases in wholesale electricity costs and of natural gas costs to explicitly include the system value of reduced load on reducing market clearing prices and volatility.~~

~~(e) In consultation with the Energy Resources Conservation and Development Commission, adopt and implement a residential, commercial, and industrial peak reduction program that encourages electric customers to reduce electricity consumption during peak power periods.~~

SEC. 3. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to encourage early compliance with air quality standards established by the State Air Resources Board and ensure that the cleanest, most environmentally sound distributed generation resources are eligible for substantial ratepayer subsidies offered by the Public Utilities Commission, including

- 1 avoidance of energy crisis cost obligations, it is necessary that this
- 2 act take effect immediately.

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